Farm Advisory Service

National Advice Hub
T: 0300 323 0161
E: advice@fas.scot
W: www.fas.scot

News in brief

March 2020

We are all connected

As the coronavirus spreads its tentacles across the globe it is clear now that the UK will not escape unaffected. Clearly human is the primary concern and there is a huge amount of uncertainty about how the UK will be impacted.

It is also becoming clear that the economic and market effects are potentially significant. Factory shut downs first in China and now other markets have helped weaken world economic growth and demand for oil and other commodities. Agriculture is not immune from this weakening of demand with lamb and milk demand in China falling, which may impact UK prices. Closer to home in Italy; the centre of the coronavirus epidemic in Europe, food manufacturers are preparing for the risk of plant closure and are building stocks of product. While a shortage of Ferrero Rocher may not be at the front of most consumer's minds, the situation should be watched closely, as the UK may face similar issues.

Already plans are emerging for UK supermarkets to prioritise key food staples, reducing the diversity of products they stock, simply to keep the basics on the shelves. Some early consumer stockpiling is underway.

These issues could start to impact UK farmers and supply chains; but when and to what extent remains unknown.

If there is any silver lining from the global coronavirus epidemic it may be that governments, particularly the UK's take heed of the importance of keeping trading links open and the ire of consumers and the voting public if food and other essentials ever face the risk of running short.

Whether any of this sinks into the UK government's current thinking and tempers their apparent willingness to walk away from the EU without a trade deal, remains to be seen.

Convergence payments announced

The Scottish Government has announced proposals to distribute an additional £90m of EU convergence money – see page 2's Policy section for more details.

Next month

- Ground source heat pumps & land matching

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Julian Bell

The European Agricultural Fund for Rural Development
Europe investing in rural areas

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Convergence Payments

Convergence uplift is additional Common Agricultural Policy (CAP) funding that was allocated to the UK to bring the per hectare subsidy average payment up. Last year, it was announced that £160 million would be allocated to Scottish Farmers.

Details of how the first tranche (£90 million) of the convergence uplift will be allocated to farmers and crofters has now been announced.

£52 million will be used to top up the Basic Payment Scheme (BPS) rate for Regions, 1, 2 and 3 and a further £10 million will be used to top up Regions 2 and 3, see table below. Note: these rates are estimates and may change subject to the validation process. The BPS convergence top up for Regions 1, 2 and 3 are £26 million, £21 million and £15 million, respectively.

	2019 BPS rate	£52m BPS top up	£10m top up	New rate	Increase
	(£/ha)				(%)
R1	218.21	15.86	-	234.07	7
R2	43.22	24.09	3.94	71.25	65
R3	12.93	6.28	5.59	24.80	92

Source: Scottish Government

A cap of £55,000 will be applied to the total combined BPS convergence payment; this is expected to affect around 80 businesses, which is low.

In addition to the increase in BPS rate, £13 million has been allocated to LFA producers and £15 million to Voluntary Coupled Support (VCS) schemes i.e. Scottish Suckler Beef Support Scheme (SSBSS) and Scottish Upland Sheep Support Scheme (SUSSS).

Further details about these two additional payments are still expected but it is thought that the LFA payment will be based on existing LFASS grazing categories and eligible VCS claimants could expect to be paid the following:

VCS scheme	Top up payment (based on 2018 claims)
SSBSS mainland	£31.21 per eligible calf
SSBSS island	£46.54 per eligible calf
SUSSS	£21 per eligible ewe hogg

Payments are expected to be made by the end of March. To be eligible, a recipient must have completed a 2019 SAF.

The remaining £70 million is due to be distributed in the next financial year and will be paid by the end of March 2021. Of this £70 million, £42 million may be used to maintain next year's Less Favoured Area Support Scheme (LFASS) payments.

Having clarity as to how and when the convergence funding will be paid, is welcome news for Scottish farmers and crofters.

Funds to help tackle climate change

Funding schemes worth £40 million are being made available to help Scottish farmers tackle climate change. This additional money is being earmarked under the Agricultural Transformation Programme, which will support the farming industry to undertake a range of actions to reduce greenhouse gas (GHG) emissions and support sustainable farming and land use.

The broad objectives of the programme are to:

– Enable pilot schemes on farms to reduce GHG emissions.
– Encourage more tree planting across Scotland.
– Promote the main benefits of good grassland management for livestock producers.
– Encourage more farmers to invest in renewable energy, including bioenergy.
– Develop organic farming.

The details of schemes are still to be developed, but it is envisaged the money will be apportioned as £20 million of capital, to be paid to farmers as grants, and £20m in the form of loans. The transformation programme is expected to start later this year.

Resilience planning funding extended

To help provide farmers with an understanding of the strength and resilience of their business, the Scottish Government is provided funding of up to £1,000. This specialist advice was supposed to close to new applicants at the end of March but it has now been extended and made an ongoing element of the Farm Advisory Service.

As part of the funding, the following will be determined:

– Key performance indicators for financial resilience.
– Profitability and cash flow.
– Health of the balance sheet.
– Identification of appropriate resilience measures and actions.
– Implementation plan for the business.

Funding can be applied for at:
https://www.fas.scot/specialist-advice/

gillian.inman@sac.co.uk, 07803 222362

Rising world crop estimates hit prices

UK grain prices are largely unchanged in the last month despite some swings from week to week.

On global markets, prices have weakened. The world cereal harvest is expected to climb in 2020 based on current crop conditions. The International Grains Council (IGC) raised world grain production estimates for 2019/20 to 2.17Bn t, which would be 30mt higher than 2018/19 output. Their report puts global wheat production in 2020 at a record 769mt. Higher world cereal output is partly expected due to a predicted 2% rise in estimated harvested area for 2020/21.

The incredibly mild winter across Europe has boosted winter crop condition and cereal output estimates from Ukraine and Russia this harvest. Ukraine grain exports are already at 40mt in 2019/20; a 23% increase on the previous year.

Global commodity markets more generally have also weakened following widespread fears over the impact of the coronavirus on economic growth and consumer demand.

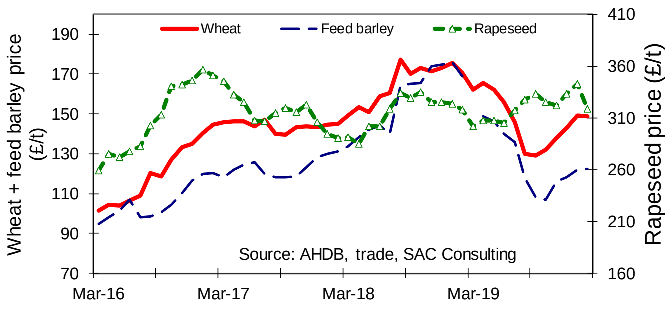
Oilseed rape prices have fallen £5/t in the last month as Paris rapeseed markets fell in line with lower world soyabean prices. Again lower soyabean purchases from China have hit oilseed prices.

While it is likely that some of the global demand lost will be regained once the virus epidemic passes its peak, could be some way off.

Whisky sales hit by Coronavirus

Diageo Plc have reported they expect sales of Scotch whisky to fall by as much as £325m in key Asian markets as a result of the coronavirus outbreak. Movement restrictions have hit sales in bars and restaurants, which were shut across China, reducing demand for alcoholic drinks. As the virus spreads, sales are also suffering in other markets including South Korea and Japan though they expect the impacts to ease later in the year. As an export driven premium product, Scotch whisky sales remains vulnerable to the effects of the outbreak. It is hoped the effects fade soon otherwise it could impact on production and harvest barley purchases.

Scottish cereal and oilseed prices



Yet more spring barley in 2020?

AHDB have released revised crop areas from their Early Bird survey following a follow up survey in February. Given the almost incessant rain that fell since the first survey in November it is no surprise that this survey showed a further decline in winter crop sowings. These declines in winter crops were greatest across Eastern and Northern England, with Scottish tallies little changed.

The scariest figure is the large area of over 1.0m ha destined for spring malting barley across the UK. With a 2020 UK barley crop that could exceed 8mt (8.2mt in 2019) and a barley price already at a £20-£30/t discount to wheat the need to export this barley is set to grow.

AHDB early bird survey –UK & Scotland

	Wheat	Wint. Barley	Spr. Barley	Total Barley	Oats	Total Cereals	OSR
UK	*Area ('000's ha)*						
2019	1,816	453	710	1,163	182	3,213	530
2020	1,504	347	1,042	1,389	229	3,182	361
Chng.	*-312*	*-106*	*332*	*226*	*47*	*-31*	*-169*
Chng.	*-17%*	*-23%*	*47%*	*19%*	*26%*	*-1%*	*-32%*
Scot.	*Area ('000's ha)*						
2019	107	49	242	291	32	482	32
2020	98	46	249	295	31	484	30
Chng.	*-9*	*-3*	*7*	*4*	*-1*	*2*	*-2*
Chng.	*-8%*	*-6%*	*3%*	*1%*	*-3%*	*0%*	*-6%*

Source: AHDB

julian.bell@sac.co.uk, *07795 302264*

Indicative grain prices week ending 28 February 2020 (Source: SACC/AHDB/trade)
* Before oil bonus, # Ex-farm England spring brewing max 1.85%N, ~ nominal

£ per tonne	Basis	Feb 2020	Mar 2020	May 2020	Hvst 2020	Nov 2020	May 2020	Nov 2021
Wheat	Ex-farm Scotland	149.00	150.00	153.00	159.00	162.00	169.00	152.00
Feed barley	Ex-farm Scotland	124.00	126.00	128.00	129.00	132.00		
Malt. barley- distil	Ex-farm Scotland				182.00			
Malt. barley- brew	Ex-farm England#		134.00	137.00	141.00	146.00		
Oilseed rape*~	Delivered Scotland		319.00	321.00	308.00			

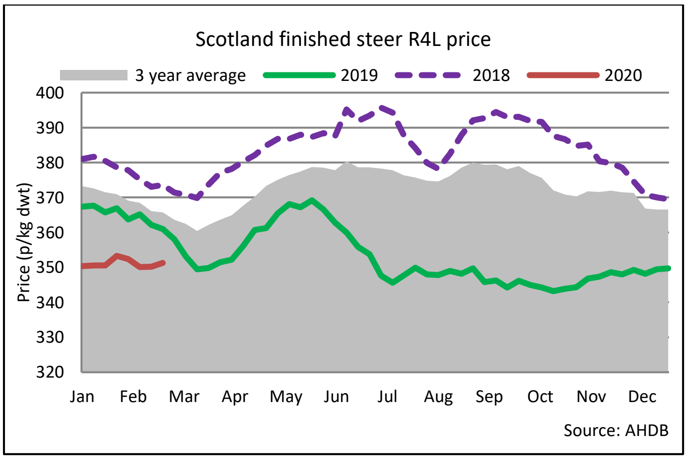
Not as exciting as the sheep trade!

The beef trade is relatively subdued when compared to the sheep trade, which is heading for near record levels. However, there are reasons to be more upbeat in this report than we have been in previous months. Prime beef prices have held up in February, with an average price of 350p for R4L steer, week beginning 24th February. The Aberdeen Angus premium has dipped as expected, this is simply due to supply demand, more numbers available, has led the price to drop a bit, but a 20p premium over continental cattle is available for Angus cattle.

In the short-term there are some processors reporting a couple of weeks backlog to get cattle killed, as supplies have increased. However, on the whole processors remain positive and have held prices up. Again, unlike recent months they are also talking the trade up rather than down, which further suggests market conditions improving for beef. It is expected that numbers will tighten a bit in the coming weeks, this hopefully also points towards further price improvements in the future. That being said, demand is still subdued, in order for the beef price to really improve, demand has to increase from its current levels.

Demand remains high for processing beef

The demand for processing beef is clear to see in the cull cow trade. As is common at this time of year, cull cow trade is strong, with a particularly buoyant trade in Ireland. The result of this is that many cull cows are once again, being bought out the live ring in Scotland, and heading to Ireland for finishing and processing. Cull cow prices are in the region of 265p/kg for an R4L, with higher prices available for good types at the right time. Farmers selling good cull cows will receive a good cheque for them and may be tempted to sell more cows. However, our welfare credentials have never faced higher scrutiny, it is imperative that all farmers take heed of the rules around killing cattle that are in calf. If there is any doubt of an animals PD status, keep her at home.



Strong trade for stores

The trade for store cattle has picked up markedly since the New Year. Reasonably good store cattle are heading to markets with prospects of making upwards of 230p/kg with the best cattle making in excess of 250p/kg. This confidence from finishers is great to see, many of them will have had a tough year but are encouraged by positive market signals and paying good money for good cattle.

Communication is key

The beef sector has changed noticeably in the last year, with deadweight limits now in place in most abattoirs, it may be that what you have been used to producing is no longer in demand. It would be well worth taking some time and discussing this year's crop of store cattle with your usual buyer or auctioneer. It is unlikely that piling on as many kilos as possible presale is what the buyers are wanting. Lack of communication, from breeder to finisher, has been a problem in the beef industry for a long time and while a formal feedback system would be highly beneficial, there is a huge amount of value in making a simple phone call.

robert.ramsay@sac.co.uk, 01292 525171

Scotland prime cattle prices (p/kg dwt) (Source: drawn from AHDB data)

Week Ending	R4L Steers (p/kg dwt)			-U4L Steers			Young Bull-U3L		Cull cows	
		Change on week	Diff over N. Eng.		Change on week	Diff over N. Eng.		Diff over N. Eng.	R4L	-O3L
1 Feb 20	352.4	-0.9	13.6	352.5	-2.5	13.6	340.8	12.0	261.5	246.3
8 Feb 20	350.1	-2.3	9.6	347.3	-5.2	9.6	340.5	9.6	265.9	249.6
15 Feb 20	350.2	0.1	12.6	348.1	0.8	12.6	342.2	9.7	268.7	251.7

The finished cattle base price quoted by a buyer may be significantly different from the national average deadweight price presented above as these are averages of both commercial and premium cattle, reflect variation between processors and any bonus payment differences.

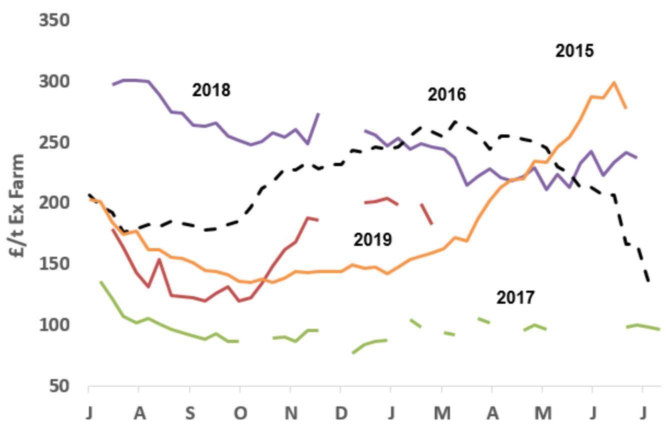
Potatoes

Market price update

- *The GB Weekly Average Prices for the week ending 22nd February was £177.55/t for free-buy and contract purchases, and £182.23/t for free-buy purchases*
- *Compared to the previous reported figures on 15th February, contract and free-buy purchases were down by £11.40/t and free-buy purchases were down by £16.87/t*

Crop Year 2018/19	22 Feb	15 Feb	1 Feb
Average Price (£/t)	177.55	188.95	181.38
AVP change on week (£/t)	-11.40	+7.57	-6.28
Free-Buy Price (£/t)	182.23	199.10	198.35
FBP change on week(£/t)	-16.87	+0.75	-5.90

GB Weekly Average Free-Buy Price (2015-2019 crop years)



Trading Season July - July Source: AHDB

Market overview

Prices remain steady for all markets in recent weeks. The arrival of Storm Dennis put a stop to any pre-planting ground work particularly for those looking to plant early material. Reports suggest that there has been an increase in rots and breakdown in store for some material, and growers have been forced to sell stocks, which they were planning to hold onto in the hope of better prices. This is generally poorer quality material, or crops which were harvested in wet conditions. Good quality samples are storing well with no major issues.

In Scotland, Grade 1 Maris Piper is trading around £200/t ex farm, with a high of £225/t ex farm. Grade 1 Whites are trading around £200/t ex farm, with a high of £215/t ex farm reported. There has been very little movement in price over the past week which could be attributed to a slight lull in demand due to poorer weather.

In England, Grade 1 Maris Piper is trading around £250/t ex farm, with a high of £315/t ex farm reported. Grade 1 Whites are also trading around £250/t ex farm, with a high of £370/t ex farm reported for organic material. King Edwards are trading around £250/t ex farm, and reds are trading around £240/t ex farm, with a high of £260/t ex farm. Salads including; Charlotte, Maris Peer, and Gemson are trading around £325/t ex farm.

In the bagging market, there has been a slight uplift reported in holiday destinations, but demand for most has remained sluggish. Good quality material is becoming harder to obtain and prices remain firm. In the East of England, Agria is trading around £280/t ex farm, with a high of £300/t ex farm reported. Markies is trading around £260/t ex farm with a high of £280/t ex farm, and Piper is trading around £210/t ex farm, with a high of £240/t ex farm. Performer is trading around £230/t ex farm with a high of £270/t ex farm, and Sagitta is trading around £240/t ex farm with a high of £285/t ex farm. In the West, chipping Piper, Markies, Performer, Ramos and Sagitta are all trading around £170/t ex farm with a high of £190/t ex farm. In the South of England, chipping Cabaret, Caesar, Daisy, L Terra, Maris Piper, Markies, Miranda, Ramos and Sagitta are all trading around £170/t ex farm with a high of £220/t ex farm. Peeling Piper is trading around £150/t ex farm with a high of £170/t ex farm, and peeling Whites are trading around £80/t ex farm, with a high of £150/t ex farm reported.

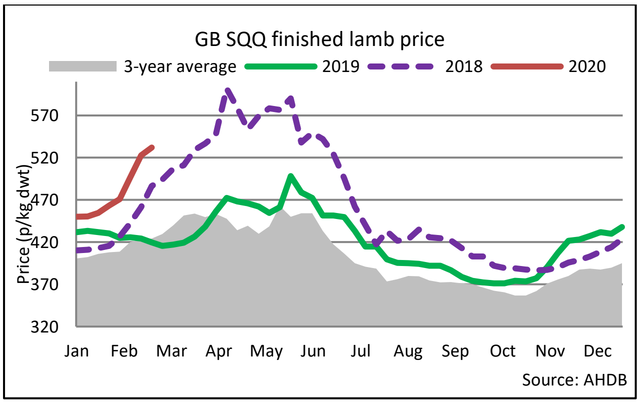
Quality-based pricing may become more prevalent

Lifting in localised regions of the UK is still ongoing as growers try to salvage remaining acres affected by severe wet weather. The quality of potatoes being lifted is questionable and quick off-the-field movement is essential to avoid breakdown. Processors are utilising this newly lifted material and stocks which do not meet frying spec, are being repurposed into alternative product lines. Increased supply of poorer quality material is putting pressure on prices at the lower end of the market. Packhouses remain primarily contracted, promoted by a boost in contracted area this season, resulting in limited free-buy demand. Consequently there is a good volume.

calum.johnston@sac.co.uk, 07917 263256

Record prices

The finished hogg price has jumped in the past month and is now 100p/kg dwt higher than this time last year: about £20 up for a decent hogg. The record prices are drawing out stock despite the terrible weather. Farm Stock is currently quoting a base of 530-545p/kg dwt, meaning a batch of 100 head will gross comfortably over £10,000. Processors will be sweating. The cull ewe trade is also strengthening with the Scottish average at £83 and even higher south of the border.



Health problems in China are playing a key role in the farmgate value of lamb here. Since last summer that impact has been largely beneficial as, according to IBIS World estimates, Asian Swine Flu has resulted in the death of half of China's 410m pigs. Imports of all meats have jumped to plug the collapse in domestic pigmeat supply.

New Zealand sheepmeat exporters have consequently diverted far more product into China. AHDB report that not only has this helped cut UK sheepmeat imports for 2019 by 19% (62,500t), it has also helped UK sheepmeat exports rise by 13% to 93,600t as EU buyers switch to UK product to offset lower Kiwi imports to continental countries.

(see page 10 for more on Chinese Coronavirus epidemic and the lamb trade).

Not all rosy in NZ

Australian sheep production is struggling owing to long-term drought and the recent horrific fires. This misfortune has helped their neighbours as booming Chinese demand added to lower Australian competition has lifted Kiwi sheep prices to record levels. So why is there little indication that the New Zealand sheep industry will reverse its long-term decline?

First, how is the 2019 lamb crop progressing (born Aug-Oct)? The number tailed was 2.4% down on the previous year to 22.7m (including 1.18m lambs from ewe hoggs). B+LNZ estimate that 18.26m will be killed (down 2.7%) in the 2019/20 season. The national ewe lambing percentage was slightly down at just over 127% and 17m breeding ewes.

While the Kiwi's have enjoyed record lamb prices, weather wise it has been a tough season. A lot of the North Island is struggling with drought meaning that lambs are being finished lighter. While in the big lamb rearing part of southern South Island a cool spring and summer has hit pasture and lamb growth rates.

While weather is a factor in dampening the late summer breeding ewe trade, there appears a deeper concern cooling thoughts of expansion. Some market commentators caution about too much dependence on the Chinese market. The rising cost of meeting far stricter environmental compliance rules also curbs ambition.

But perhaps as important is a factor that we are increasingly seeing here in the UK: less folk want the hard work of lambing sheep. Trading and finishing lambs, or growing out ewe hoggs is an easier way to make a margin with sheep.

What does it mean for us? Given the potential limitations on sheep expansion in Australia and NZ, if the UK gets a half decent trade deal with the EU, prospects for sheep production here may be quite reasonable for those that like the job.

kev.bevan@sac.co.uk, 01292 525171

Week ending	GB deadweight 16.5-21.5kg			Scottish auction (p/kg LWT)			Scottish Ewes (£/hd)	E&W Ewes (£/hd)
	R2	R3L	R3H	Stan	Med	Heavy		
8 Feb	501.3	498.2	496.5	232.1	236.7	226.1	76.1	76.8
15 Feb	528.5	524.6	521.7	233.1	243.5	233.4	78.0	81.6
22 Feb	537.3	535.7	533.8	234.9	240.6	231.7	82.7	86.2

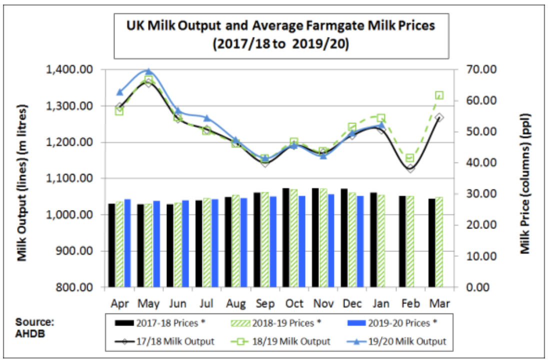
Deadweight prices may be provisional. Auction price reporting week is slightly different to the deadweight week. Source: AHDB and IAAS
Standard weight 32.1 - 39.0kg; Medium weight 39.1 - 45.5kg; Heavy 45.6 - 52.0kg

Milk

UK milk production update

- *UK monthly milk output has shown a year-on-year reduction for the fourth consecutive month, however, cumulative milk output for the 2019/20 year remains above 2018/19.*

AHDB statistics for January 2020 indicate that UK monthly milk output is estimated at 1,248.16m litres (before butterfat adjustment). This is 17.47m litres below milk output for January 2019. This is the fourth month running that UK milk output has shown a year-on-year reduction. The year-on-year monthly deficit in production is increasing with each month. Cumulative UK production (April 2019 to January 2020) is now estimated at 12,480.67m litres. This means that cumulative production for 2019/20 is 93.94m litres higher than cumulative milk output at the end of January 2019. The UK average milk price for December 2019 is estimated at 29.32ppl (down 0.53ppl from the November 2019 average, 29.85ppl). The average milk price for December 2019 is 1.08ppl lower than the average price received one year earlier, during December 2018.



Milk prices for March 2020

Price announcements for March 2020 include:

- Arla – After a remarkable 14-month price hold, Arla has confirmed a price increase of 1 Euro cent (equating to 0.90ppl). This means that the liquid standard litre price rises to 29.75ppl and the manufacturing standard litre rises to 30.94ppl.
- Graham's Dairy – Graham's have confirmed a hold on prices until the end of March 2020. This maintains the liquid standard litre price at 25.50ppl.
- First Milk – FM has confirmed a hold on February 2020 prices going into March. This means that the liquid standard litre remains at 26.50ppl and the manufacturing standard litre remains at 27.38ppl.
- Fresh Milk Company (Lactalis) – Lactalis has confirmed a hold on its milk price until 1st April 2020. This maintains its milk price at 26.50ppl for the liquid standard litre (see table below) and 27.61ppl for the manufacturing standard litre.

Annual Average milk price estimates for March 2020 (ppl)	
Milk Buyers – Scotland	**Standard Ltr***
Lactalis (No profile or seasonality) [1]	26.50
First Milk Liquid [1, 2]	26.50
First Milk Manufacturing *(4.2% Butterfat & 3.4% Protein)* [2]	27.38
Müller - Müller Direct [1, 3]	26.25

1 Liquid standard litre – annual av. milk price based on supplying 1m litres at 4.0% butterfat, 3.3% protein, bactoscan = 30, SCC = 200 unless stated otherwise.
2 FM prices include 0.25ppl Member Premium. The member premium increases to 0.50ppl from April 2020.
3 No monthly supplementary payment included in the price estimate. Includes 1.00ppl Müller Direct Premium.

Arla price increase bucks the trend

The recent milk price increase by Arla from 1st March 2020 really has thrown down the gauntlet to other UK milk purchasers. At a time when seasonal milk supply is starting to build up to the spring peak, several milk buyers may have been contemplating a reduction to their farmgate milk price and this might still be a possibility come April. Besides rising production volumes going into the spring, a recent drop in cream value (see section below) means that the risk of a farmgate price cut remains. According to AHDB figures, cream income to liquid milk processors fell by 1.25ppl during December 2019 and this was followed by another small reduction to cream value during January 2020. With 50% of Arla's milk going into liquid milk production, Arla is partially insulated from extreme exposure to the very fine margins that prevail within the UK liquid milk market and the fact that it has Europe-wide coverage, with a broad product range, adds further insulation from price volatility in the liquid market.

Coronavirus impact on dairy markets

Whilst UK cream and butter prices reduced slightly between December 2019 and January 2020, AMPE increased to 31.43ppl on the back of a £30/t increase to SMP prices.

UK dairy commodity prices (£/ tonne)	Jan 2020	Dec 2019	Aug 2019
Butter	3,060	3,070	3,030
SMP	2,220	2,190	1850
Bulk Cream	1,300	1,320	1,400
Mild Cheddar	2,830	2,830	2,830
UK milk price equivalents (ppl)	**Jan 2020**	**Dec 2019**	**Aug 2019**
AMPE (2014)	31.43	31.19	27.66
MCVE (2014)	30.21	30.16	29.93

Source: AHDB

In the wider market, Fonterra's GDT price index reduced by 2.90% during the last auction (18th February 2020). The weighted average price across all products reduced to US $3,176/tonne – the lowest since January 2019. Failure to control coronavirus in China may well bring further downward pressure on dairy markets if Chinese consumption falls as reduced numbers of the public choose to dine out.

alastair.beattie@sac.co.uk, 07771 797491

Reducing Milk Waste

Scottish survey on milk loss and emissions

Responses from a 2018 survey of dairy farms in Scotland show that milk loss occurs for a variety of reasons, such as withdrawal periods for veterinary treatment, parlour infrastructure and lapses in management routine.

The survey of dairy farms, from Galloway to Orkney, provided an assessment of milk loss and looked at the effect on greenhouse gas emissions if the use of antibiotics responsible for milk withdrawal were reduced and losses from infrastructure and accidental spills were halved.

Rejections of 1%; 0.5% due to antibiotic residues

The survey found that on average 98.2% of milk produced was sold, and 0.66% was retained to be consumed on farm, or fed to calves. Rejections caused by antibiotic residues averaged just over 0.5% of all milk produced and a further 0.5% was lost via parlour and bulk tank infrastructure.

The table shows average proportions of milk produced, sold, retained and lost on the sampled dairy farms, along with the destination of that milk. The remainder was rejected by the processor, mainly due to residues.

Causes of rejections; infrastructure and antibiotics

Mastitis was the most prevalent disease reported, with a mean 20% incidence within herds surveyed. Mastitis treatments accounted for around three quarters of all milk withdrawal days and the remaining quarter stemmed from treatments for health events such as uterine disorders and lameness.

Bulk tank rejections by a processor, were reported by around half of farms surveyed, and were mainly caused by failures of equipment, such as a compressor serving the cooling system, or by contamination due to antibiotic residue. Bulk tank losses were also reported to occur when transferring milk to the tanker during power cuts, or in extreme weather, if a tanker could not uplift.

Preventing health disorders to achieve a 20% reduction in withdrawal days, led to emissions per unit of milk being decreased by 0.5% on average. Lowering infrastructure and bulk tank losses along with disease prevention reduced carbon footprints by 1%.

Increased milk sales, income and environmental performance through reducing milk loss

Milk sales from farms increased by an average of approximately 2,000 to 5,000 litres depending on the scenario. Reducing on-farm losses of milk caused by rejections and unintended waste from accidents and lapses in procedure, could be achieved by disease prevention and adhering to strict management routines. This would lead to increased milk sales, income, and an improvement in environmental performance.

This research was funded by the Scottish Government Rural Affairs and the Environment Portfolio Strategic Research Programme 2016-2021 Theme 3 Food, Health, and Wellbeing, RD3.1.4. Preventing Food Waste. For more information please see: http://www.scotland.gov.uk/Topics/Research/About/EBAR/StrategicResearch/future-research-strategy/Themes.

SRUC would like to thank those farmers who participated in the survey.

Table showing survey results expressed as percentages

	Average	Destination
Gross production (kg)	1,729,892	
Sold (%)	98.2	Processor
Retained (%)	0.66	Consumed
Infrastructure losses (%)	0.46	Calves/slurry
Rejected by farmer (%)	0.55	Calves/slurry
Bulk tank losses (%)	0.04	Slurry system
Processor rejected (%)	0.09	Slurry disposal

maggie.march@sruc.ac.uk, 01387 263961

Labour Planning on Farm

Labour

Although the UK left the European Union on the 31st January 2020, it is not yet known what the full impact Brexit will have on the availability of agricultural staff.

EU Citizens & Settled Status

The rights and status of EU citizens living in the UK will remain the same until 30 June 2021. If they want to keep living in the UK after this date, EU citizens currently living in the UK can apply to the EU Settlement Scheme. Citizens of Norway, Iceland, Lichtenstein and Switzerland can also apply. The application process is free. To be eligible to apply applicants will need to show that they are resident in the UK by the end of the Brexit Transition Period, which is 31st December 2020. However, if a trade deal is not agreed aka 'No Deal', then the deadline for applications to the Settled Scheme will change from 31st June 2021 to 31 December 2020.

Successful applicants will either be awarded 'Settled Status' or 'Pre-Settled Status'. In general, Settled Status will be awarded to EU Citizens who started living in the UK by 31st December 2020, and who have lived in the UK for a continuous 5-year period (known as 'continuous residence'). Five years' continuous residence means that for 5 years in a row they have been resident in the UK, the Channel Islands or the Isle of Man for at least 6 months in any 12-month period. Settled Status entitles EU citizens to stay in the UK as long as they want to. They will also be able to apply for British Citizenship if they are eligible.

Pre-Settled Status will be awarded to citizens who started living in the UK before 31st December 2020 but who do not have 5 years continuous residency. They can then stay in the UK for 5 years. Once they have 5 years continuous residency, they can apply for Settled Status. Seasonal Workers can apply for Pre Settled Status if they cannot meet the continuous residency condition of 'been resident in the UK for at least 6 months in any 12 month period'.

EU Citizens with Settled and Pre Settled Status can:

- work in the UK
- use the NHS for free
- enrol in education or continue studying
- if eligible, access public funds such as benefits and pensions
- travel in and out of the UK

Ways to Tackle Labour Shortages

As some existing EU Agricultural staff will choose for personal/financial reasons not to apply for Pre Settled/Settled Status, going forward, businesses need to be prepared to lose existing staff or to have difficulty securing suitably qualified staff.

Scottish Machinery Rings provide skilled labour as well as contracting services. They can link businesses with labour shortages with businesses with over-capacity either on a task specific/daily/weekly or seasonal basis.

Equally, labour shortages can be addressed by sharing existing labour between neighbouring businesses or through hiring a self-employed worker for specific tasks/number of hours per day or per week. Additional hours can be negotiated subject to the number of other clients they have.

For some businesses, there is scope to offer existing workers flexible contracts whereby they will work longer hours during peak seasons e.g. harvest, lambing/calving, spring work but shorter hours/weeks during quieter times. For ease of budgeting, pay can be split evenly across the year.

For organic farmers, additional temporary/seasonal labour can be sourced through Worldwide Opportunities on Organic Farms (WWOOF) UK. Volunteers work on a non-monetary exchange basis in return for board and lodging and an opportunity to learn about organic farming and sustainable living systems.

To encourage new talent into the Agricultural Industry, through Lantra, businesses can be put in touch with training providers offering Modern Apprenticeships. They can also be used as a way of providing training opportunities for existing members of staff to boost their existing skills base.

Incorporating modern technology can help to reduce on-farm labour requirements. Robots are evolving from repetitive tasks like milking and scraping slurry into 'thinking' robot swarms being designed to looking after the soil and growing crops. Coupled with CCTV phone apps and drones, it could eventually redefine the term 'slipper farmers!

christine.beaton@tiscali.co.uk

Sector Focus
Coronavirus Impacts

Interconnected nature of global economy laid bare by coronavirus

With the coronavirus now here in the UK, human health is the primary concern as we wait to see where and how quickly it may spread. In terms of the food and farming sector its effects are already being felt as factory shut downs in China and other regions threaten economic growth and weaken demand for oil and other commodities and food. China is also a key supplier of products for supply chains around the world from car parts to vitamins and packaging. The intensive livestock sectors are highly dependent on access to vitamins almost all of which are produced in China. There are signs that the outbreak in China is stabilising, aided by strict movement restrictions but no one can tell when the epidemic may peak and even after that it will take many months for the economy to return to normal. And now of course the virus is spreading with Europe entering a difficult period as cases escalate. Some food manufacturers in Italy are preparing in case they are forced to close and have been building stocks to ensure supplies. It is likely therefore that the impacts could be far reaching and long lasting, only time will tell at this stage. Some current impacts are highlighted below.

Coronavirus may cool sheep and other meat prices

The human flu coronavirus outbreak in China could cool hogg prices in the coming few months. For the virus has hit both consumer demand and supply chain logistics. So rather than let lamb rot at portside, the Kiwis could divert more product to the UK and Europe to meet the spike in demand caused by Easter and Ramadan. Given the six week trip from NZ to here, product needs to be on its way by the end of February to get here for Easter. Nevertheless, prospects remain very good for prices, but don't be surprised if old season prices don't get to last year's levels. And clearly, any forecast is now subject to what might happen if the coronavirus strikes this part of the world.

UK food supply chain taking stock

Any impact on UK food supply chains has so far been very limited aside from some changes in commodity prices (generally falling). Nonetheless the sector remains vulnerable to any impacts on manufacturing, transport and logistics, labour and consumer behaviour. Already plans are emerging from UK supermarkets and processors who will aim to prioritise key food staples, reducing the diversity of products they manufacture and stock to keep the basics on the shelves. While overall food consumption levels are likely to be maintained the value of this spend may fall. If the virus spreads widely in the UK, consumers will resort to reduced shopping and dining out activity and may fall back to internet shopping and home deliveries.

Global economy expected to cool

The impact of the outbreak means that Deutsche Bank expects world economic growth to decline by 0.5% in 2020. The International Energy Agency expect world oil demand growth to fall to the lowest rate of annual growth since 2011; oil prices are at or below $50/ barrel at present the lowest level in a year.

Key economic data

General Indicators		Price indices for December 2019 (Defra 2015 = 100)			
		Output Prices		**Input Prices**	
Base interest rate	0.75% (0.50% Aug '18)	Wheat	116.93	Seeds (all)	103.7
ECB interest rate	0.00% (0.00% Sep '18)	Barley	112.61	Energy	120.9
UK (CPI) inflation rate	1.8% (target 2%)	Oats	112.54	Fertiliser	97.6
UK GDP growth rate	0.0% (Q4 '19)	Potatoes	123.64	Agro-chemicals (all)	114.5
FTSE 100	6,569 (6 Mar '20)	Cattle and Calves	100.99	Feedstuffs	109.0
		Pigs	124.61	Machinery R&M	110.1
		Sheep and Lambs	113.12	Building R&M	110.4
		Milk	119.71	Veterinary services	115.4

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